

# **CORRECTED FISCAL NOTE**

## **SB 13 – HB 690**

February 16, 2005

**SUMMARY OF BILL:** Increases the excise tax on cigarettes from one cent per cigarette (20 cents per pack) to three cents per cigarette (60 cents per pack).

### **ESTIMATED FISCAL IMPACT:**

On January 12, 2005, we issued a fiscal note which indicated *an increase in state revenues of \$210,869,000, an increase in state expenditures estimated to be not significant, and an increase in local government revenues of \$1,624,500.*

Based on additional information provided, the estimated fiscal impact of this bill is:

### **(Corrected)**

**Increase State Revenues – \$210,869,000**  
**Increase State Expenditures – \$112,700 Recurring**  
**\$60,800 One-Time**

**Increase Local Govt. Revenues - \$1,624,500**

### **Assumptions:**

- \$210,869,000 in new state tax revenue would be generated (\$205,812,000 from excise tax and \$5,057,000 from state sales tax).
- Approximately \$1,624,500 would be generated in local government revenues from a local option sales tax rate of 2.25%.
- 514,528,770 packs estimated to be sold in FY06 (a reduction from the projected sales of 556,500,000 packs if the tax remains unchanged).
- Elasticity rate of (-.60), which is somewhat higher than the national average, due to other states with lower tax rates.
- Decreased sales tax revenue, as a result of fewer packs sold, is more than offset by higher increase in sales tax revenue, as a result of higher price per pack, generating an overall net increase in state and local sales tax revenue.
- Two additional staff members for Special Investigations to combat the expected flow of non-taxed cigarettes into Tennessee.
- Increase in recurring and one-time expenditures of \$112,700 and \$60,800 respectively associated with two additional staff for enforcement.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director